

# State of New Hampshire Annual Citizens Report Fiscal Year 2001



Prepared By: Department of Administrative Services

# LETTER FROM THE COMMISSIONER

## Table of Contents

Letter from the Governor . . . .	1
Economic . . . . .	2-3
Education . . . . .	4-5
Roads & Bridges . . . . .	6
Corrections . . . . .	7
Health Care . . . . .	8-9
Environmental . . . . .	10-11
Financial Highlights . . . .	12-16

December 1, 2001

To: The Citizens of New Hampshire,  
Her Excellency the Governor  
and the Honorable Council

We are pleased to present our Fiscal Year 2001 Annual Report to the Citizens, prepared by the Department of Administrative Services. The purpose of this report is to communicate relevant financial, economic, and program information in an easy-to-understand format. We are pleased to announce that last year's report received the Award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association (GFOA).

### Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

#### STATE OF NEW HAMPSHIRE

For the fiscal year ending  
June 30, 2000



*Samuel A. Brewer*  
President  
*Jeffrey L. Evans*  
Executive Director

This report offers an overview of the state's finances and major program initiatives. The overview of state operations presented here has been simplified from the traditional format found in our Comprehensive Annual Financial Report (CAFR). The selected financial information presented is in accordance with generally accepted accounting principles, but does not include all of the required disclosures required by the Governmental Accounting Standards Board (GASB). This report highlights the core finances of the state and contains only selected funds. Readers that have a need for more information regarding the accounting policies, the various required accounting disclosures, and the financial status of individual state funds and component units, should obtain a copy of the CAFR. The CAFR, which includes the independent auditor's report, can be accessed by viewing our web site or by contacting the Department.

Despite increasing signs of an economic slowdown during fiscal year 2001, the State's Unrestricted Revenue still grew 2.8% over the prior year. Strong performers included business taxes, interest and dividends, meals and rooms tax, and insurance tax. The General Fund current year surplus balance totaled \$80.1 million, which combined with the beginning balance of \$4.0 million, was transferred to the Education Trust Fund (\$48.1 million), the Rainy Day Fund (\$35.2 million), and the Health Care Fund (\$.8 million). The Rainy Day Fund closed with a balance of \$55.2 million and the Health Care Fund closed with a \$45.8 million balance.

The fiscal year 2002 long term solution for education funding included tax rate increases for the Business Profit Tax and the Business Enterprise Tax. The national recession combined with the unknown effects of the September 11th tragedy has created significant fiscal concerns for all states. New Hampshire will need to closely monitor Business Tax performance and take timely fiscal actions to manage any revenue shortfalls that might occur.

*Donald S. Hill*

Donald S. Hill, Commissioner

Department of  
Administrative Services  
25 Capitol Street  
State House Annex Room 413  
Concord, NH 03301  
(603) 271-3373  
[www.state.nh.us/das/accounting](http://www.state.nh.us/das/accounting)

*The report is available on our web site.  
Requests for additional reports can be  
done by contacting the Department.*

Department of Administrative Services, Division of Accounting Services  
Thomas E. Martin, CPA Comptroller  
Sheri L. Walter, CPA  
Mark S. Stone

# LETTER FROM THE GOVERNOR

To: The Honorable Members of the Legislature and the Citizens  
of the State of New Hampshire

I am pleased to accept the Fiscal Year 2001 Financial Report to the Citizens of New Hampshire. This report gives taxpayers information about what services they are receiving for their tax dollars and updates some key issues in our state.

In the aftermath of the September 11th attacks, we are reminded of the important services government provides and the valuable work that public employees perform every day. September 11th also made clear that New Hampshire must address new threats. In addition to taking a number of immediate steps to increase security, I established the Commission on Preparedness and Security to assess New Hampshire's readiness. In its November 27th report, the Commission concluded that New Hampshire's emergency response and security measures are fundamentally strong, but there are steps we can take to further enhance security and emergency preparedness. I am working with the Legislature, communities and the federal government to address these recommendations.

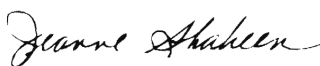
New Hampshire ended Fiscal Year 2001 with a more than \$35 million surplus, allowing the state to nearly triple its Rainy Day Fund. Although New Hampshire's economy is doing better than many states, it is not immune to the slowdown in the national economy. We are taking a number of steps to help stimulate our economy, including redirecting and accelerating our tourism promotion efforts and redirecting resources at the state's regulatory agencies to quicken the review of projects that will, in turn, provide jobs. I have also directed state agencies to prepare plans to reduce their budgets in the event state revenues falter.

Some of the other highlights of the past year include:

- Passage of a school-funding law that meets the state's obligation to fund education;
- Thirty-four communities, serving an additional 2,500 students, now have public kindergarten through the kindergarten incentive program established in 1997;
- More than 15,000 previously uninsured children now have health insurance through the Children's Health Insurance Program, and this year the state will begin matching private and federal funding for the program, allowing virtually every eligible child to enroll;
- Electric rates went down an average 16 percent for customers of Public Service Company of New Hampshire through a settlement agreement negotiated by the state;
- Nearly 15,000 acres of land and 19 historic structures were preserved through the new Land and Community Heritage Investment Program;
- Seniors saved \$1.6 million on 250,000 prescriptions through the state's Senior Prescription Drug Discount Pilot Program;
- Monadnock and North Country Connects were launched, with the state's financial assistance, to make affordable, high-speed telecommunications services available to businesses in western and northern New Hampshire.

I thank the staff of the Department of Administrative Services for their work on this report.

Very truly yours,



Jeanne Shaheen

## SELECTED STATE OFFICIALS

### Executive Branch

Governor

Jeanne Shaheen

Executive Council

Raymond S. Burton, District 1

Peter J. Spaulding, District 2

Ruth L. Griffin, District 3

Thomas P. Colantuono, District 4

David K. Wheeler, District 5

Attorney General

Philip T. McLaughlin

Commissioner of Administrative  
Services

Donald S. Hill

Treasurer

Georgie A. Thomas

Secretary of State

William M. Gardner

### Legislative Branch

President of the Senate

Arthur P. Klemm

24 Senators

Speaker of the House of  
Representatives

Gene G. Chandler

400 Representatives

### Judicial Branch

Chief Justice of the Supreme Court

David A. Brock



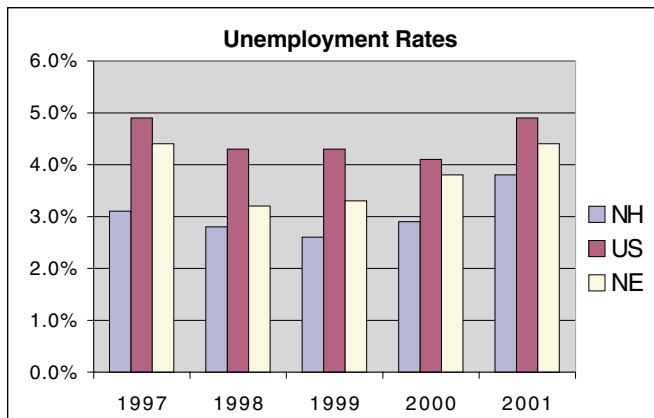
Governor Shaheen, Commissioner Hill,  
and the Executive Council



# NEW HAMPSHIRE'S ECONOMIC OUTLOOK

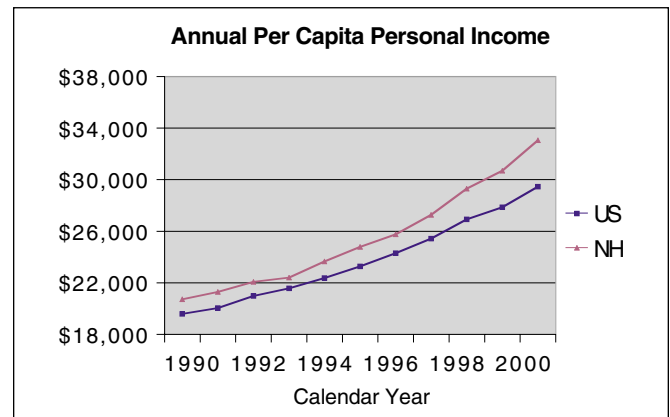
New Hampshire's strong economy, characterized by low unemployment rates, low tax burdens, a highly skilled workforce, small and accessible government, high quality of life and a beautiful environment, has helped attract new businesses and new citizens to the state.

New Hampshire, like the rest of the nation, has seen its economy weaken over the past year, with increases in unemployment rates. However, the national outlook calls for a short and mild recession. Although New England's recovery is anticipated to lag the US, NH is predicted to outperform the rest of New England and be the first New England state out of the recession.



With announced workforce reductions, NH's unemployment rate is still below the national and New England average. The most current unemployment rates (October 2001) available show New Hampshire's unemployment at 3.8%, with New England at 4.5% and the US at 4.9%. Despite increasing unemployment rates, the tight labor market continues to drive up wages and employers are still competing for quality employees.

Data for the second quarter of 2001 shows personal income in New Hampshire is growing slower than previous quarters, but still slightly ahead of the region and the nation. In 2000, New Hampshire had the 6th highest annualized per capita personal income (\$33,042) in the nation, up from 12th highest in 1990. By the end of 2000, New Hampshire's personal income was 12.2% higher than the national average.



Many imbalances that existed in New Hampshire during the last recession (late 80's to early 90's) do not exist now. NH fared worse than its NE neighbors due to a plummeting real estate market with an excess number of jobs in the construction industry. This imbalance resulted in a speculative real estate market as evidenced by the number of bank failures.

Leading New Hampshire's recovery will be its diversified, knowledge-based economy, characterized by:

- Strong base of skilled and educated workers;
- Innovative and entrepreneurial spirit;
- High percentage of high-tech companies and workers;
- Links to eCoast, Boston and the Route 128 Research & Development Corridors;
- High concentration in defense and high-tech manufacturing;
- Growing export markets - New Hampshire has the fastest export growth rate in New England; and
- Strong reputation as a good place to live and work.

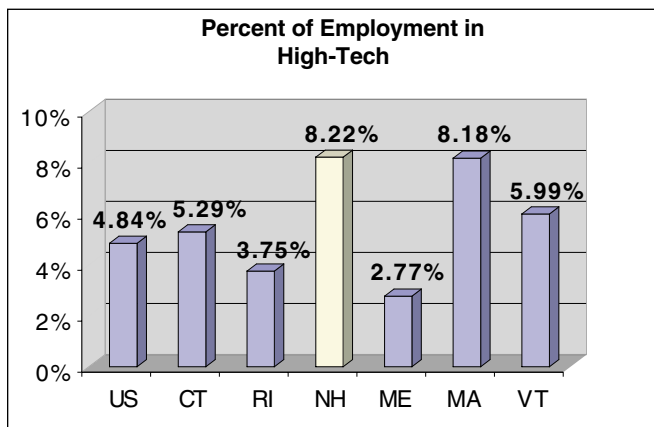
<b>New Hampshire's Economic Scoreboard for 2001</b>		
<b>Categories</b>	<b>NH's National Rank</b>	<b>NH's Rank in New England</b>
Favorable Tax Climate	1 st	1 st
Healthiest State (Morgan Quitno, 2001)	3 rd	2 nd
Standard of Living (by Poverty Rate)	1 st	1 st
Child and Family Well-Being (Annie E. Casey, 2001)	1 st	1 st
Safest State (Morgan Quitno, 2001)	2 nd	1 st
Most Livable State (Morgan Quitno, 2001)	13 th	3 rd
College Educated Population	8 th	3 rd

Source: New Hampshire Economic Review, Public Service of New Hampshire

## New Hampshire as a High-Tech State:

New Hampshire's high-tech sector is diversified and has a history of product innovations. NH has 4,400 high-tech firms and 73,000 workers, concentrated in the Nashua, Portsmouth and Manchester areas.

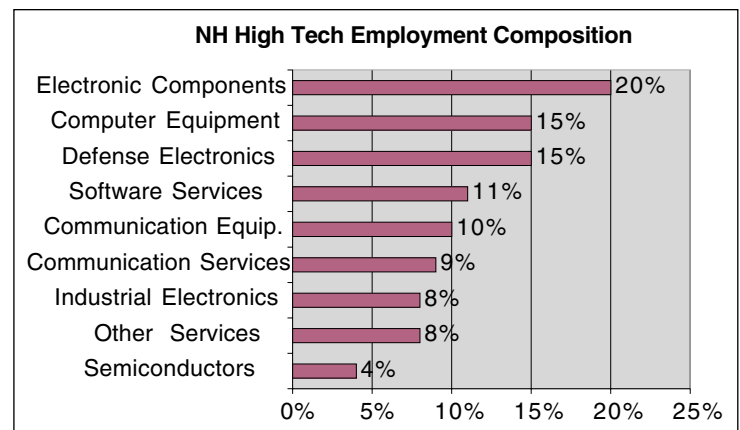
New Hampshire is ranked second nationally in high-tech employment and has the highest in New England. The high-tech sector is growing faster than any other industry in New Hampshire.



New Hampshire's high-tech industry during the late 1980's was heavily concentrated in the mini-computer industry. Now with our high-tech diversity, New Hampshire is less vulnerable to economic, technological or industry changes. NH's technology economy is not concentrated more than 25% in any one area.

## Tourism in New Hampshire:

Travel and tourism is the second largest industry in the state. It brings more than \$8.6 billion annually into our economy and employs over 65,000 of our residents. Among the 50 states, New Hampshire's economy ranks 7th in our reliance on travel and tourism. For the second time in the past five years, the state has doubled funding for promotion of travel and tourism. Ultimately the success of the travel and tourism industry is related to the success of our state. Our accomplishments are measured by our ability to preserve and enhance our quality of life.



Information provided by Ross Gittell, Whittemore School of Business and Economics, UNH.

## Expanding Telecommunication Services:

New Hampshire is working to expand affordable high-speed telecommunications to every part of the state, with a telecommunications initiative in the Department of Resources and Economic Development and by helping create public-private partnerships such as Monadnock Connect and North Country Connect. Monadnock and North Country Connect have already reached agreements that could lower telecommunication costs up to 60% in these regions.

## Lowering Electric Rates:

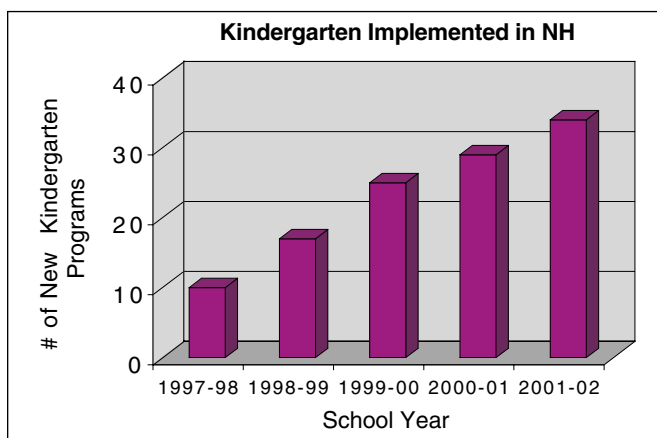
The state reached a settlement agreement with Public Service Company of New Hampshire that has lowered electric rates an average of 16% for families and businesses, making the state more competitive.

# IMPROVING EDUCATION

**E**ducation is the key to the 21st century economy. To compete for the good-paying jobs of the future, the state must make sure New Hampshire citizens have access to the best education. That's why New Hampshire is investing in improving education, from our children's earliest years to improving public schools to higher education.

## Kindergarten:

Launched in 1997, the Kindergarten Construction Program has cut by more than half the number of communities without public kindergarten. Through the initiative, an additional 2,500 students in 34 communities are attending public kindergarten in the 2001-2002 school year.



## UNIQUE College Investing Plan:

The UNIQUE plan is a state-sponsored program designed to encourage parents, grandparents, and other relatives to save for college and help meet the rising costs of education. The Plan, continuously ranked as a top plan by Kiplinger's and SmartMoney, is one of the largest plans in the country in terms of assets and accounts – assets reached \$570 million by June 30, 2001. Fidelity Investments manages the plan for the State of New Hampshire. For more information, call: 1-800-544-1722.

## Increased Support for Higher Education:

NH continues to increase its financial support to the University System of NH (USNH) and the NH Community Technical College System. During Fiscal 2001, the state funded USNH with \$75 million for operations. In addition, the state is making the largest capital investment in the University System in the state's history - \$100 million over the next six years - which will fund important science and engineering facilities.

## New Cost Savings for Students:

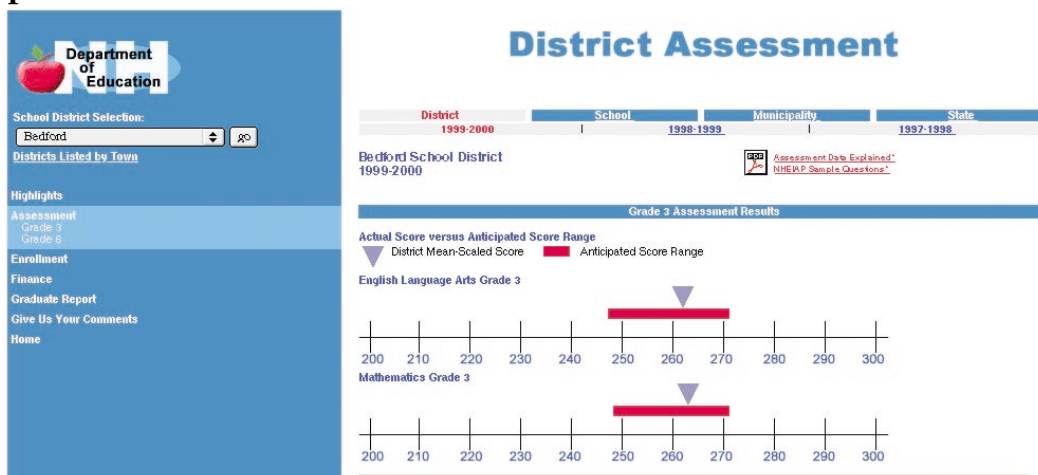
A new transfer agreement announced May 1, 2001 presents new options for New Hampshire students and opens the door to significant cost savings. New Hampshire Community Technical College (NHCTC) students may now fully transfer their credits in Associate of Arts programs to University System of New Hampshire (USNH) campuses in Durham, Manchester, Keene and Plymouth. Completing two years at NHCTC campuses as part of a four year program could allow students to save \$22,000.

## Scholarship Aid:

The 2002-2003 state budget includes \$500,000 to launch the Granite State Scholars Program. Matched by private donations, this program will provide scholarships based on need to New Hampshire students who excel in high school and who choose to attend one of the state's public colleges. It is designed to stem the "brain drain" New Hampshire experiences. More than half of New Hampshire college-bound students attend college out-of-state, and many never return.

In addition, the newly created New Hampshire Community Technical College Foundation also provides scholarship assistance. Since its formation in the fall of 2000, the Foundation has completed a successful sponsor campaign – bringing the balance to over \$1 million.

## School Report Cards:



Making it easier for parents to learn how their children's schools measure up, New Hampshire now provides comprehensive school report cards that report the performance of individual schools on assessment test scores, drop-out rates, college attendance rates, and computers-to-students ratios. The reports can be found at your local school or online at [www.measuredprogress.org/nhprofile](http://www.measuredprogress.org/nhprofile).

### Best Schools:

Based on recommendations from the Governor's 1997 Education Summit, the Best Schools Leadership Institute is providing communities with the technical assistance they need to make real, measurable improvements in their schools. The goal of the initiative is to improve student success at school, in the work place and in the community. In fiscal 2001, nearly 88 teams, representing nearly half the schools in NH, are participating in the program.

### Attracting and Retaining Quality Educators:

On October 20, 2000, at the invitation of the New Hampshire State Board of Education, the Department of Education convened a forum of approximately 190 participants to examine issues relating to the recruitment and retention of quality educators in New Hampshire. Participants included teachers, principals, parents, business persons, state department personnel, and professional organizations. At a follow-up session held in June 2001, the Department of Education and the State Board has agreed to undertake the following activities during the upcoming year:

- **Public Engagement:** initiate public dialogue focused on recruitment and retention to increase the understanding of the issues and to build public support for improvement efforts.
- **Regional Professional Development Centers:** develop a plan to establish Centers that would work directly with schools on critical aspects of school reform that directly impact the retention of educators, both teachers and administrators, and improve student learning.
- **Mentoring Programs:** develop a plan to provide all beginning educators with training and support through the identification of resources and development of guidelines for statewide comprehensive mentoring programs.

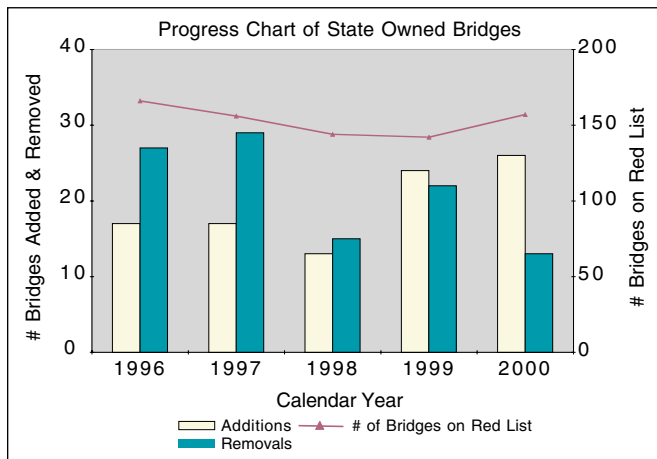




# IMPROVING THE STATE'S INFRASTRUCTURE

**W**ell-maintained roads and bridges are essential to keeping New Hampshire accessible to its residents and tourists, maintaining a strong economy, and protecting our citizens.

The Department of Transportation's Red List reports bridges with known deficiencies in their



condition, weight limits or type of construction. The 2000 calendar year Red List identified 157 deficient state-owned bridges, with 26 bridges being added, while 13 were removed during the year.

**Traffic Update** - The Bureau of Turnpikes processed another record year of traffic, with close to 100 million vehicles passing through the tolls. Toll revenue was up 1.8%. In addition, during fiscal 2001, over 400 miles of state highways were newly paved.

## Celebrating Transportation:

The long-awaited completion of the Route 101 Expansion Project became a reality during the summer of 2001. This decade-long, \$190 million investment in New Hampshire, allows motorists to travel from Interstate 93 to Interstate 95 on four lanes of divided highway for the first time. The project included more than 30 bridge replacements or rehabilitations, and 130 acres of wetland mitigation.

On June 8, 2001, New Hampshire's newest covered bridge, the Smith Millennium Covered Bridge

was opened in Plymouth. The \$3.3 million, 154-foot long bridge has a legal load capacity that allows four loaded tractor-trailer trucks on it at once. This covered bridge reaches new standards both in appearance and engineering excellence.



## Major Projects:

Bridge and roadwork continue on Interstate 93 in Manchester near Bodwell Road. This two-year \$14.2 million project includes the reconstruction of four bridges on the state's red list.

Additional environmental review work took place as part of the approval process for the proposed \$75 million Manchester Airport Access Road.

Major projects well underway include:

- The construction of the Hillsborough Bypass
- Interstate 93 pavement and bridge rehabilitation from Thornton to Woodstock
- The replacement of the Chesterfield, NH – Brattleboro, VT bridge over the Connecticut River
- The construction of the North – South Local Road in Conway
- Bicycle/pedestrian paths or lanes were constructed in several areas throughout the state

To better serve visitors to New Hampshire, new Welcome Centers were constructed near Exit 6 on the Everett Turnpike in Nashua, and off of Interstate 95 in Seabrook. Planning continues for the replacement of centers in Springfield (I-89) and Conway (Route 16).



# KEEPING CRIME RATES LOW

New Hampshire has been ranked 2nd in the nation and first in New England as the Safest State by Morgan Quitno for the past five years. The safest state award is based on six areas of crime: murder, rape, robbery, aggravated assault, burglary, and motor vehicle theft.

## NH's Safest State Ranking as Compared to Other New England States

	1997	1998	1999	2000	2001
Connecticut	19	19	16	17	14
Maine	3	3	3	3	3
Massachusetts	25	23	21	22	21
<b>New Hampshire</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
Rhode Island	15	15	13	13	19
Vermont	4	4	4	5	4

## 2001 Average Inmate Cost

\$24,814 or \$67.98 per day

- The Northern NH Correctional Facility (NCF), located in Berlin, opened on April 28, 2000. The facility was built to house 500 inmates and is a direct supervision facility. In Fiscal 2001, the number of inmates incarcerated at NCF increased to 296 as more prisoners have been transferred from the overcrowded prison in Concord.
- Even with the increased number of inmates at the NCF, the net inmate population decreased by approximately 50, primarily from the Men's Prison and the Lakes Region. Drops in the population can be attributed to the alternative programs available to first time, non-violent offenders.

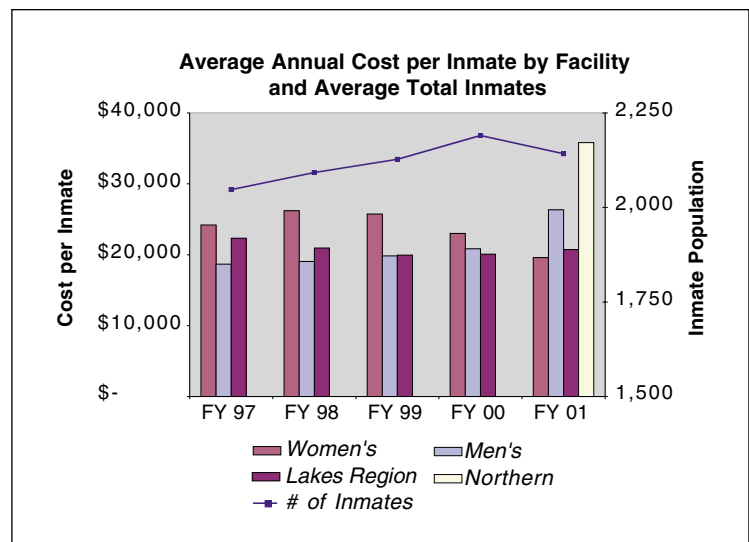
## Victim Services:

New Hampshire strives to continuously improve assistance and support for crime victims and survivors. The Department of Correction's Service Action Plan offers the following services for crime victims and survivors:

- Notification of inmate custody changes
- Advocacy and support during reduced custody decisions
- Accompaniment at parole hearings
- Reasonable protection from intimidation and Harassment
- Outreach, information, and referral; and
- Victim – offender dialogue.

During 2001, over 820 victims and survivors were served in the following crime categories: Sexual Assault 41%, Other Violent 39%, Domestic Violence 4%, and Non-Violent 16%.

In addition the Department of Justice (DOJ) provides assistance to victims of crime. Since 1990 New Hampshire has provided reimbursement to victims for certain out of pocket expenses. The DOJ's Victims Compensation Unit awarded over \$340,000 to 300 victims during fiscal 2001.

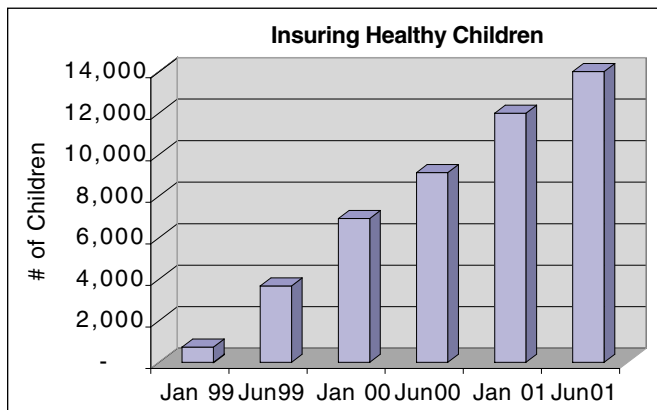


# IMPROVING HEALTH CARE

**Q**uality health care services are essential to all New Hampshire citizens - from children to the elderly. Recently, New Hampshire ranked second in a nationwide health review by United Health Foundation. In addition, Morgan Quitno ranked NH the third healthiest state in the nation.

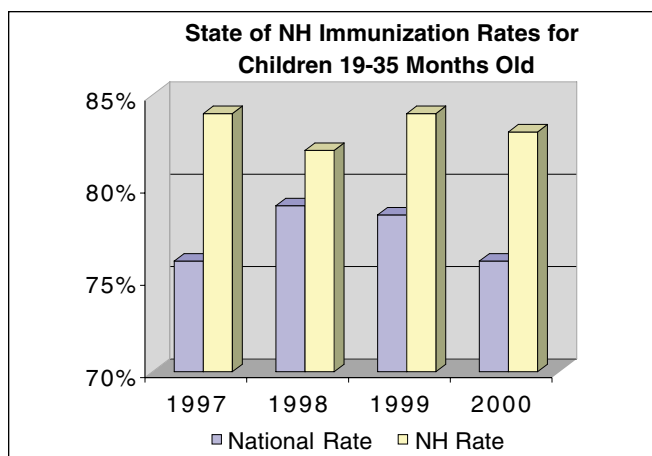
## Children's Health Insurance Program:

Launched in 1999, New Hampshire's innovative public-private Healthy Kids Children's Health Insurance Program is making health insurance affordable for families. The program provides access to free and low-cost health coverage to eligible children through partnerships with the New Hampshire Department of Health and Human Services, Healthy Kids Corp., Anthem Blue Cross Blue Shield, Northeast Delta and the Healthy New Hampshire Foundation. Since January 1999, more than 13,000 previously uninsured children have been enrolled in the program.



## Immunizations:

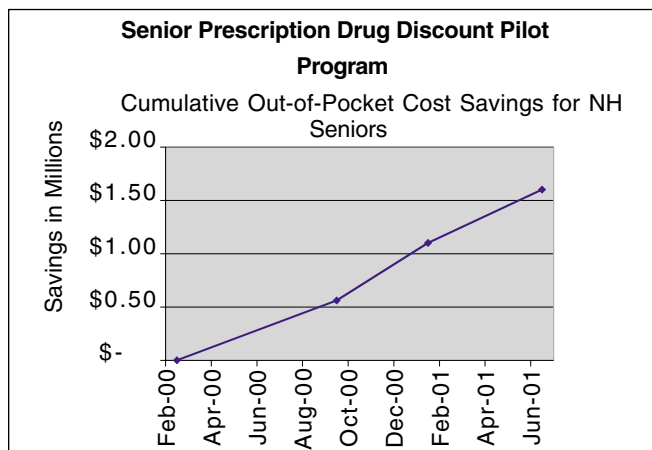
New Hampshire is committed to reducing all vaccine-preventable diseases. Immunizations keep kids healthy and helps lower health care costs. In partnership with the federal government and private insurers, the Immunization Program managed by the New Hampshire Department of Health and Human Services Office of Community and Public Health, provides vaccines for all children in the state regardless of their insurance status. As a result New Hampshire is ranked 8th in the nation in its immunization rates for children 19-35 months old.



## Prescription Drugs:

The Department of Health and Human Services implemented a Senior Prescription Drug Discount Pilot Program in fiscal 2000 to provide relief from the high cost of medications. At that time 56% of residents over the age of 65 were without drug insurance coverage. By the end of fiscal 2001 over 250,000 prescriptions have been filled through the program with estimated savings to seniors over \$1.6 million.

During fiscal 2001, New Hampshire worked with both Maine and Vermont to create the Tri-State Prescription Drug Purchasing Pool, a first-in-the-nation effort. Initially, the pool will help the three states save money on prescription costs for Medicaid patients.

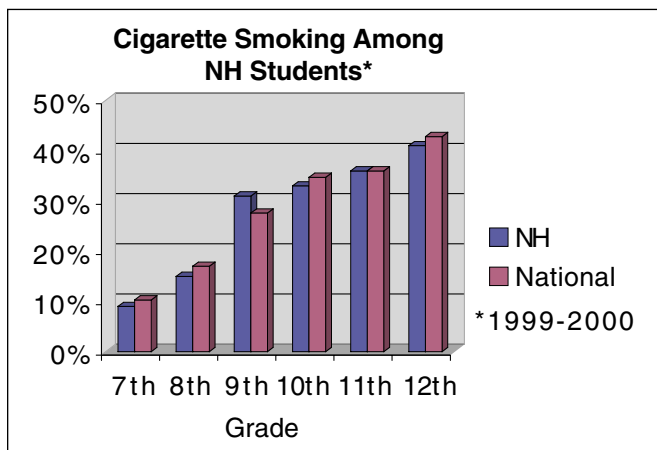


## Tobacco Cessation and Prevention:

The prevalence of youth smoking in New Hampshire is a serious public health issue. NH has one of the highest rates of youth smoking in the nation. New Hampshire youths are exposed to smoking and becoming addicted to tobacco products at an early age. "One in three teens who are regular smokers will eventually die of smoking-related causes." (Center for Disease Control and Prevention.)

The New Hampshire Department of Health and Human Services Tobacco Prevention and Control Program is implementing the following multi-level approach to prevent youth smoking in our state.

- **Awarding Community-School Grants** to 18 community organizations and schools to implement school tobacco control policies and examine tobacco advertising to youths.
- **Sponsoring of Youth Network Opposing Tobacco in NH (YNOT NH)** in which 15 youth organizations are involved in local projects such as teaching media literacy and advocating for smoke-free environments.
- **Development of Counter-Advertising**, a comprehensive media program that will target youth via radio, television and cinema screens with messages to support local tobacco prevention efforts.



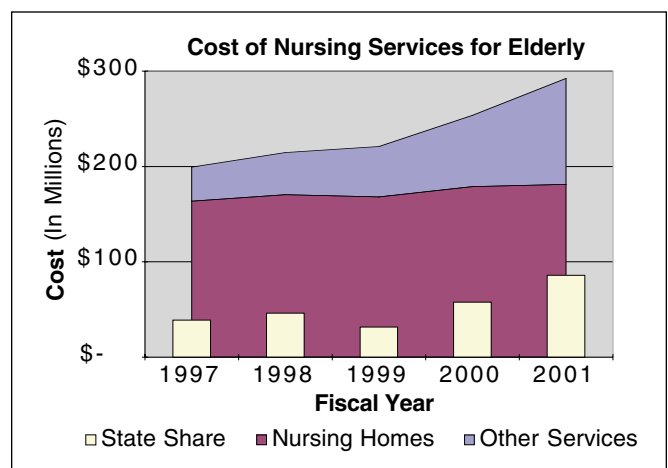
## The National Tobacco Settlement:

On November 19, 1998 the state joined in the settlement agreement relative to the nationwide tobacco lawsuit. In fiscal 2000, the state received a total of \$54.2 million in tobacco settlement funds.

During fiscal 2001 the state's share was \$41.7 million of which \$3.0 million was deposited as restricted revenue in the newly established tobacco prevention fund in accordance with Ch 212 L'2000.

## Nursing Services for the Elderly:

RSA 151:E (SB 409) was enacted in 1998, as a result of an effort initiated in 1995, to rebalance the long-term support system and to expand support options available to the elderly. It allows people eligible for Medicaid nursing facility level of care to consider less costly alternatives such as mid-level, or residential care services, and services delivered in the home under the Home and Community Based Care program for the Elderly and Chronically Ill.



Changes were also made to the methodology for reimbursing nursing homes. The cost based system has been replaced by a reimbursement methodology based primarily on the acuity care level of the nursing home resident. As a result of these efforts, the growth rate of nursing home costs has slowed and the number of nursing home Medicaid residents has remained relatively constant. Additional efforts are being directed at mid-level and home care services. As anticipated by RSA 151:E, many frail elders are choosing residential care and home care over nursing homes.

## HMO Accountability:

New Hampshire citizens now have the right to appeal to an independent panel of experts a decision by their HMO denying them care. For more information, contact the New Hampshire Department Of Insurance.



# PROTECTING THE ENVIRONMENT

New Hampshire's healthy beautiful environment plays an essential role in protecting our quality of life and our economic growth. Technological advances have facilitated the opportunity for businesses to locate virtually anywhere, but they opt for states like New Hampshire because this is where people prefer to live and work. State government is investing in several areas to protect and enhance the state's environment, quality of life, and cultural and historical resources.

## Land and Community Heritage Investment Program:

Joining New Hampshire's broad partnership of land protection players is the Land and Community Heritage Investment Program (LCHIP). Launched in 2000, with initial funding of \$3 million, LCHIP is working to protect the

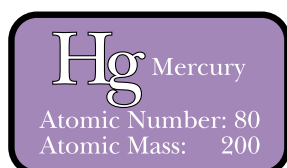


state's open spaces, historic places and cultural resources. This new program, funded in part by the state's new

conservation license plate, is one of the most significant conservation efforts in the state. The plate program began as a way to supplement existing state conservation and preservation programs with additional funding through voluntary public purchases of the moose plate. To date over 18,000 plates have been issued generating revenue in excess of \$480,000.

## Reducing Mercury Emissions:

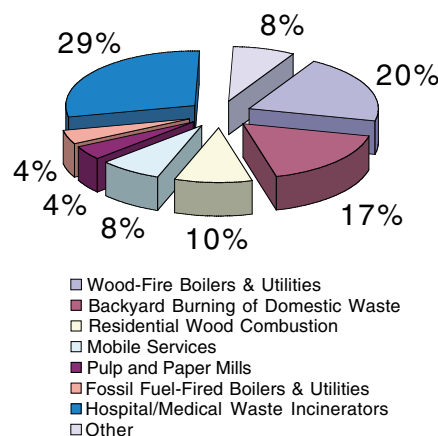
With its Mercury Reduction Strategy, New Hampshire is committed to reduce harmful mercury emissions that threaten the health of the public and wildlife. Emissions come from municipal waste combustors, waste incinerators, boilers, fuel oil and other sources. The state's efforts have reduced mercury emissions by 37 percent since 1998.



## Reducing Dioxin Emissions:

New Hampshire has launched a first-in-the-nation strategy to reduce emissions of dioxins. This strategy is the latest in a series of Department of Environmental Services' environmental and public health initiatives. Dioxin is a potent toxicant that can produce a number of adverse effects in humans including cancer and reproductive and

**Estimated Sources of Dioxin Emitted in NH**



development disorders. The goal of this strategy is to cut dioxin emissions in half in the next two years.

## Private Well-Testing Initiative:

During fiscal 2001, DES began a private well testing initiative. This public outreach effort urges owners of private drinking wells to have their wells tested periodically for a variety of potential contaminants. The initiative focuses on educating citizens about such dangers as radon, arsenic and synthetic compounds like MtBE; and encouraging sampling and testing of private wells. In New Hampshire about 200,000 private residential wells provide approximately 35% of the population with drinking water.

While most wells have a good water quality, there are many private wells that are at risk from contamination from a variety of naturally occurring and synthetic substances. In high quantities, these

contaminants can pose health risks. Two-thirds of the state's citizens get their drinking water from public water supplies, not from private wells. Unlike private wells, public water systems are highly monitored to meet federal and state regulations. Since state law does not require testing and since resources do not provide for state-funded testing of private wells, citizens are encouraged to test their wells by contacting the DES laboratory or a private certified laboratory.

## Environmental Loans to Communities:

State Revolving Fund (SRF) loans are low-interest loans provided by the state to help municipalities with projects such as landfill closures, wastewater projects, public water supply improvements, and brownfields clean up. The money comes from a combination of federal grants (80 percent) and state matching funds (20 percent).

The Clean Water SRF provides money for municipal wastewater projects and landfill closures. The Drinking Water SRF provides loans to municipalities and private water system owners to improve public water supply systems.

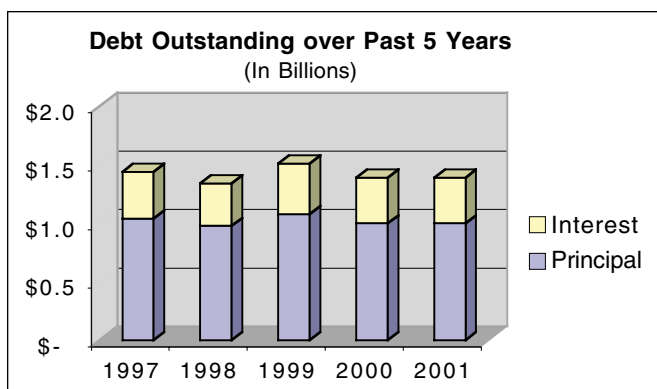
The table below lists Clean Water SRF projects that had disbursements greater than \$1 million dollars during fiscal 2001.

Clean Water SRF Disbursement Activity in FY 01 (Amounts rounded to nearest thousand)				
Community	Project	Contract Approved Date	Contract Amount	Disbursements in FY 01
<b>Exeter</b>	Court St Rehabilitation	April-00	\$2,190	\$1,098
<b>Goffstown</b>	Landfill Closure	June-00	\$2,460	\$1,152
<b>Hampton</b>	Wastewater Improvements	May-01	\$4,750	\$1,425
<b>Manchester</b>	Sewer Separation of CSO's	May-99	\$2,497	\$1,681
<b>Manchester</b>	CSO Reduction	October-99	\$5,850	\$1,969
<b>Manchester</b>	Sewer Improvements	October-99	\$2,500	\$2,042
<b>Nashua</b>	Landfill Closure	May-97	\$8,800	\$3,732
<b>Nashua</b>	Sludge Handling Facilities	April-98	\$9,700	\$2,212
<b>Nashua</b>	Landfill Closure	July-00	\$8,000	\$2,218
<b>Portsmouth</b>	Sewerage Improvement Program	November-96	\$5,200	\$1,868
<b>Rochester</b>	Plant Expansion and Upgrade	July-95	\$19,500	\$2,381
<b>Sullivan County</b>	Sewage Collection System	July-99	\$1,835	\$1,414

# FINANCIAL HIGHLIGHTS

## Balance Sheet Primary Government (Excluding Trust & Agency Accounts) As of June 30, 2001 and 2000 (In Millions)

	FY 01	FY00
<b>ASSETS:</b>		
Cash & Cash Equivalents	\$ 306	\$ 310
Investments	124	131
Receivables	502	481
Fixed Assets	1,298	1,273
Other	840	675
Total Assets	<u>\$ 3,070</u>	<u>\$ 2,870</u>
<b>LIABILITIES:</b>		
Payables & Accrued Payroll	\$ 295	\$ 235
Bonds Outstanding	1,000	923
Other	354	374
Total Liabilities	<u>1,649</u>	<u>1,532</u>
<b>FUND EQUITY:</b>		
Investments in Fixed Assets	778	753
Enterprise Fund Equity	260	250
Special Revenue, Capital & Other Fund Equity	282	200
Health Care Fund	46	45
Education Fund		66
Rainy Day Fund	55	20
General Fund Surplus		4
Total Fund Equity	<u>1,421</u>	<u>1,338</u>
Total Liabilities and Fund Equity	<u>\$ 3,070</u>	<u>\$ 2,870</u>



The State's bonds are primarily used for capital projects, not to fund general government operations.

Capital projects provide for improvements or additions to the State's buildings, equipment, and infrastructure. Projects recently bonded include the Berlin prison, kindergarten construction, NHTI-library, renovations at USNH Mason library-Keene and Pettee Hall-Durham, IT improvements at HHS, and renovations at the Brown Building-Glenclyff.

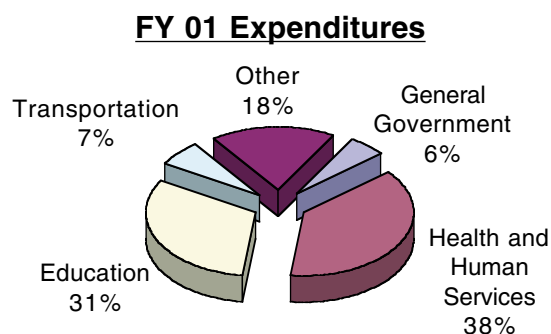
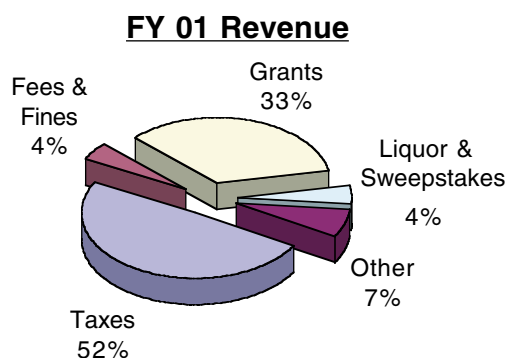
During Fiscal 2001 the State issued \$90 million in General Obligation Capital Improvement Bonds and \$50 million in short term borrowing.



**Operating Statement**  
**General and Special Revenue Funds**  
**For The Years Ended June 30, 2001 and 2000**  
(In Millions)

	<u>FY 01</u>	<u>FY 00</u>
<b><u>REVENUES BY SOURCE</u></b>		
Taxes	\$ 1,767	\$ 1,698
Fees & Fines	137	131
Grants from Federal Government	983	958
Grants from Private & Local Sources	123	113
Sale of Services and Commodities	87	86
Assessments	21	22
Grants from Other Agencies	8	3
Liquor and Sweepstakes Net Income	137	138
Other	105	118
Total Revenue	<u>\$ 3,368</u>	<u>\$ 3,267</u>

<b><u>EXPENDITURES BY FUNCTION</u></b>		
General Government	\$ 185	\$ 184
Justice and Public Protection	217	201
Resource Protection and Development	134	119
Transportation	227	211
Health and Human Services	1,276	1,211
Education	1,045	1,108
Debt Payments	82	81
Capital Outlay	180	185
Total Expenditures	<u>\$ 3,346</u>	<u>\$ 3,300</u>



# FINANCIAL HIGHLIGHTS

## Three Year Summary of General and Education Funds Unrestricted Revenue (In Millions)

Revenue Category	FY 1999	FY 2000			FY 2001		
		General	Education	Total	General	Education	Total
Business Profits Tax.....	\$ 164.8	\$ 146.4	\$ 22.4	\$ 168.8	\$ 179.6	\$ 15.8	\$ 195.4
Business Enterprise Tax.....	93.0	94.4	54.1	148.5	122.2	36.7	158.9
<b>Subtotal.....</b>	<b>257.8</b>	<b>240.8</b>	<b>76.5</b>	<b>317.3</b>	<b>301.8</b>	<b>52.5</b>	<b>354.3</b>
Meals & Rooms Tax.....	137.2	149.8	6.4	156.2	157.2	6.8	164.0
Tobacco Tax.....	73.8	68.4	26.6	95.0	61.0	25.4	86.4
Liquor Sales and Distribution.....	77.4	86.0		86.0	89.3		89.3
Interest & Dividends Tax.....	63.3	65.5		65.5	76.7		76.7
Insurance Tax.....	62.9	59.3		59.3	66.5		66.5
Communications Tax.....	46.2	47.8		47.8	49.0		49.0
Real Estate Transfer Tax.....	52.9	56.8	28.2	85.0	59.5	29.7	89.2
Estate and Legacy Tax.....	54.7	56.4		56.4	59.3		59.3
Transfers from Sweepstakes.....			61.5	61.5		59.4	59.4
Tobacco Settlement.....		0.4	53.8	54.2		38.7	38.7
Utility Property Tax.....			31.2	31.2		15.6	15.6
Property Tax Not Retained Locally.....			24.2	24.2		24.2	24.2
Property Tax Retained Locally.....			418.0	418.0		418.0	418.0
Other.....	126.8	128.0	2.9	130.9	137.4	0.2	137.6
<b>Subtotal.....</b>	<b>953.0</b>	<b>959.2</b>	<b>729.3</b>	<b>1,688.5</b>	<b>1,057.7</b>	<b>670.5</b>	<b>1,728.2</b>
Net Medicaid Enhancement Revenues.....	70.4	74.2		74.2	85.2		85.2
<b>Subtotal.....</b>	<b>1,023.4</b>	<b>1,033.4</b>	<b>729.3</b>	<b>1,762.7</b>	<b>1,142.9</b>	<b>670.5</b>	<b>1,813.4</b>
Other Medicaid Enhancement Revenues to Fund Net Appropriations	15.9	12.9		12.9	13.0		13.0
<b>Total.....</b>	<b>\$ 1,039.3</b>	<b>\$ 1,046.3</b>	<b>\$ 729.3</b>	<b>\$ 1,775.6</b>	<b>\$ 1,155.9</b>	<b>\$ 670.5</b>	<b>\$ 1,826.4</b>

In Fiscal 2000, in response to the Claremont education lawsuit, the state dramatically increased funding for education and made significant changes to its tax structure; including increases in business, rental cars, real estate transfer, and tobacco taxes.

Fiscal Year 2001 General and Education Fund unrestricted revenue increased approximately 2.9% over fiscal year 2000 unrestricted revenue. This growth occurred despite one-time gains in fiscal year 2000 that were partially due to tax rate changes that did not reoccur in fiscal year 2001. In fiscal year 2001, revenue from business taxes

increased \$37.0 million or 11.7% over prior year. Some of this growth can be attributed to the tax rate increases that occurred in the prior year. The meals and rooms tax increased approximately 5.0% over fiscal year 2000. Other strong revenue tax performers included the interest and dividends tax (17.1%) and the insurance tax (12.1%). A total of \$41.7 million of tobacco settlement funds were received of which the first \$3.0 million was earmarked for tobacco prevention programs and the balance, \$38.7 million, was deposited into the Education Trust Fund. Tobacco consumption continued to decline resulting in a 9.1% decrease in revenue generated by the tobacco tax.

**Surplus Statement**  
**General and Education Funds**  
**Fiscal Year 2001**  
(In Millions)

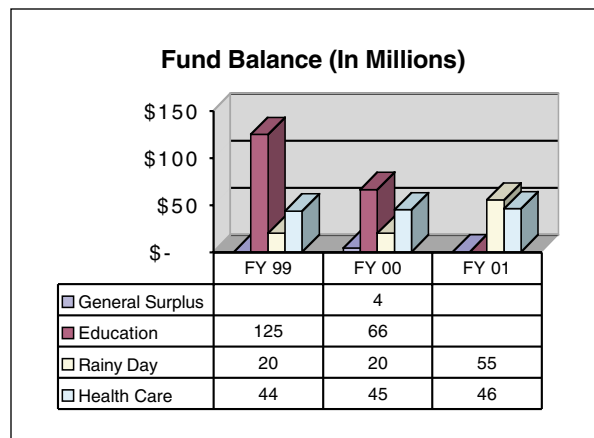
	General	Education	Total
<b>Undesignated Fund Balance, July 1</b>	\$ 4.0	\$ 66.3	\$ 70.3
<b>Additions:</b>			
Unrestricted Revenue	1,155.9	670.5	1,826.4
Transfers of Appr from General Fund		40.6	40.6
<b>Total Additions</b>	1,155.9	711.1	1,867.0
<b>Deductions:</b>			
Appropriations Net of Estimated Revenues	(1,116.0)	(825.5)	(1,941.5)
Less Lapses	33.1		33.1
<b>Total Net Appropriations</b>	(1,082.9)	(825.5)	(1,908.4)
<b>GAAP and Other Adjustments</b>	7.1		7.1
<b>Current Year Balance</b>	80.1	(114.4)	(34.3)
<b>Fund Balance Transfers (To)/From:</b>			
Designated for Rainy Day Fund	(35.2)		(35.2)
Designated for Health Care Transition Fund	(0.8)		(0.8)
Designated for Education Fund	(48.1)	48.1	
<b>Undesignated Fund Balance, June 30,</b>	\$ 0	\$ 0	\$ 0
<b>Reserved for Rainy Day Fund</b>	\$ 55.2		\$ 55.2
<b>Reserved for Health Care Fund</b>	\$ 45.8		\$ 45.8

Due to long-term concerns associated with education funding, management actions were taken at the start of the fiscal year to reduce the overall rate of spending. Governor Shaheen issued executive order 2000-8 reducing departmental appropriations, subject to certain exemptions, by 3.0%. This action saved approximately \$17.9 million. In addition, Executive Order 2000-5 implemented a hiring freeze, subject to waiver. This action saved approximately \$3.3 million.

Salary and benefit expenditures increased over the prior year due to:

- Pay scale increases for recruiting and retention of nursing staff and correctional officers;
- Health insurance expenditures had contractual increases of 18.2% in October and an additional 11.8% increase in February; and
- 3% cost of living increase effective October 1, 2000.

The General Fund current year surplus totaled \$80.1 million, which combined with the beginning balance of \$4.0 million, was transferred primarily to the Education Fund (\$48.1 million) and Rainy Fund (\$35.2 million). The transfer to the Education Fund was to eliminate the deficit in that fund and bring the balance to zero.





# FINANCIAL HIGHLIGHTS

## Education Trust Fund - Funding Analysis (In Thousands) Fiscal Year 2001

Source	Amount	Description
<b>Balance July 1</b>	\$66,348	
<b>Additions</b>		
<b>Unrestricted Revenue</b>		
Statewide Property Tax	417,964	\$6.60/1,000, retained locally
Statewide Property Tax	24,194	\$6.60/1,000 , not retained locally
Utility Property Tax	15,621	\$6.60/1,000
BPT Increase	15,800	1% increase from 7% to 8%
BET Increase	36,700	.25% increase from .25% to .50%
Meals & Rooms	6,859	Extension of 8% tax to motor vehicle rentals
Real Estate Tax Increase	29,735	\$2.50 increase from \$5.00/1000 to \$7.50
Tobacco Tax Increase	25,356	\$0.15/pack increase from \$0.37 to \$.52
Tobacco Settlement	38,745	Annual payment
Lottery Proceeds	59,348	Net Profit
Other	175	Interest
<b>Total Revenue</b>	<b>670,497</b>	
<b>General Fund Budgeted Appropriations</b>	<b>40,559</b>	Formerly Revenue Sharing, Foundation Aid & Kindergarten Aid
<b>Total Additions</b>	<b>711,056</b>	
<b>Deductions</b>		
<b>Appropriations</b>		
Adequate Education Grant	406,817	State Education Grant Disbursed by State
Adequate Education Grant	417,964	State Education Grant Retained Locally
<b>Total Grants</b>	<b>824,781</b>	
DRA-Hardship Grants	769	
<b>Total Appropriations</b>	<b>825,550</b>	
Less Lapses	(25)	
<b>Net Appropriations</b>	<b>825,525</b>	
<b>Current Year Balance</b>	<b>(114,469)</b>	
<b>End of Year Transfers from</b>		
General Fund	48,121	Ch 158:42, L'01
<b>Balance June 30</b>	<b>\$ 0</b>	

The New Hampshire Supreme Court handed down a decision that requires the State to provide an adequate public education and to guarantee adequate funding. The Legislature set an initial cost of funding an adequate education at \$825 million annually. More than 50% of the funding was generated by the newly created statewide property tax totaling \$442 million. In order to track revenues and disbursements related to education funding, a new Education Trust Fund was established in Fiscal 2000. The activity for Fiscal 2001 can be seen in the table above.

In order to provide long-term education funding solutions the following changes were enacted for Fiscal 2002:

- Increased the Business Profits Tax from 8% to 8.5%.
- Increased the Business Enterprise Tax from .5% to .75%. Increased thresholds to eliminate the need to file for smaller businesses.
- Reduced the Education Property tax from \$6.60 per thousand to \$5.80.
- Increased the Communication Tax from 5.5% to 7.0%.
- Extended the Real Estate Transfer Tax to cover transfers of property related to business sales.

# PROTECTING NEW HAMPSHIRE CITIZENS

While New Hampshire's traditional emergency response capabilities are sound, it is clear from the September 11 terrorist attacks that we now face new threats. Gov. Jeanne Shaheen established the New Hampshire Commission on Preparedness and Security to reevaluate the state's security and emergency preparedness in light of these new threats. Commission members studied a wide range of issues, from security at Seabrook Station and the Port of New Hampshire to the state's ability to respond to biological and chemical threats.

The Commission presented its report on Nov. 27, 2001. The people of New Hampshire should take comfort in the Commission's conclusion that New Hampshire's emergency response systems are fundamentally strong and capable of handling a broad range of emergency events. However, there are steps that New Hampshire can take to further enhance its preparedness and security. The Commission's recommendations include:

- Enhancing the ability of local responders to handle biological and chemical incidents by improving their training and equipment.
- Increasing the capacity of the state's health system to handle mass casualty incidents.
- Improving the communication infrastructure and protocols among state agencies, local emergency responders and health care providers.
- Encouraging communities to form HazMat emergency response teams.
- Encouraging communities to strengthen their emergency sheltering and evacuation plans.

Work has already begun on implementing some of the Commission's recommendations. For example, the Department of Safety is assisting local communities with establishing regional hazardous material teams in those regions of the state that don't now have them; the Department of Health and Human Services is working with hospitals to establish statewide mutual aid agreements; and the Office of Emergency Management is planning future drills and exercises to ensure that our emergency response plans continue to work. The Commission's recommendations are in addition to a number of steps the State of New Hampshire took immediately after Sept. 11th to enhance security, including:

- Increased patrols on land and on the Brown River to enhance security at the Seabrook Nuclear Power Plant.
- Increased patrols of Portsmouth Harbor and the oil and propane terminal facilities in Newington and Portsmouth.
- Increased stops and inspections of vehicles carrying hazardous materials.
- The Department of Health and Human Services' Office of Community and Public Health has put in place an enhanced disease surveillance system at all acute care hospitals across the state for ongoing monitoring of illnesses that may raise concerns.
- The State Police have established an intelligence unit responsible for working with both local law enforcement and federal law enforcement to ensure that all leads and information concerning real or potential terrorist activity is properly analyzed and communicated between agencies.

As Tom Ridge, the Director of Homeland Security, recently said, state and municipal personnel are on the front lines of homeland defense. State government in New Hampshire is committed to working, in collaboration with local communities and the federal government, to strengthen the state's emergency response and security measures to ensure that the citizens of New Hampshire continue to be well served and well protected.

The report of the New Hampshire Commission on Preparedness and Security is available at **[www.state.nh.us](http://www.state.nh.us)**.

The Department of Administrative Services' 2001 Citizens Report is dedicated to the NH men and women working in support of homeland defense.





Designed by Gregory Zak Ricard  
New Hampshire Community Technical College • Laconia